

Stricken language would be deleted from present law. Underlined language would be added to present law.

1 State of Arkansas
2 81st General Assembly
3 Regular Session, 1997
4

As Engrossed: S3/4/97 S3/6/97 S3/24/97 S3/26/97 H4/1/97

A Bill

SENATE BILL 545

5 By: Senators Mahony and Malone
6 By: *Representatives Thicksten, Bisbee, Broadway, Choate, and McGinnis*
7
8

For An Act To Be Entitled

9
10 "AN ACT TO AMEND OR REPEAL VARIOUS CODIFIED AND UNCODIFIED
11 SECTIONS OF THE EQUITABLE SCHOOL FINANCE SYSTEM ACT OF
12 1995; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES."
13

Subtitle

14
15 "TO AMEND OR REPEAL VARIOUS CODIFIED AND
16 UNCODIFIED SECTIONS OF THE EQUITABLE
17 SCHOOL FINANCE SYSTEM ACT OF 1995."
18

19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
20

21 SECTION 1. Arkansas Code Annotated § 6-20-302 is amended to read as
22 follows:

23 "6-20-302. Legislative findings.

24 (a) The General Assembly recognizes that intelligence and virtue are
25 the safeguards of liberty and the bulwark of a free and good government and
26 that Article 14, § 1 of the Arkansas Constitution requires the state to ever
27 maintain a general, suitable, and efficient system of free public schools and
28 to adopt all suitable means to secure to the people the advantages and
29 opportunities of education.

30 ~~_____ (b) The General Assembly acknowledges that the present system of school~~
31 ~~district organization, when combined with the constraints imposed by~~
32 ~~Amendments 40 and 59 to the Arkansas Constitution, has resulted in wide~~
33 ~~variances in the burden imposed on taxpayers for the financial support of~~
34 ~~public education, as follows:~~

35 ~~_____ (1) The total tax rates among school districts and respective~~
36 ~~burdens on local taxpayers range from a low of twenty-one and three tenths~~

1 ~~(21.3) mills of assessed value to a high of fifty-eight and four tenths (58.4)~~
2 ~~mills of assessed value and, for taxes used solely for operation and~~
3 ~~maintenance, from a low of four (4) mills of assessed value to a high of~~
4 ~~fifty-six and four tenths (56.4) mills of assessed value;~~

5 ~~_____ (2) Each one (1) mill of tax levied against real and personal~~
6 ~~property provides as little as two thousand two hundred and seventy-three~~
7 ~~dollars (\$2,273) of revenue in the district with the lowest value of assessed~~
8 ~~property and as much as one million six hundred seventeen thousand five~~
9 ~~hundred and sixteen dollars (\$1,617,516) of revenue in the district with the~~
10 ~~highest value of assessed property;~~

11 ~~_____ (3)(A) The total local funding provided to students of the~~
12 ~~various school districts from local millage varies from a low of three hundred~~
13 ~~forty-one dollars (\$341) per student to a high of six thousand six hundred~~
14 ~~eighty-five dollars (\$6,685) per student and total state and local funding~~
15 ~~ranges from a low of one thousand eight hundred ninety one dollars (\$1,891)~~
16 ~~per student to eight thousand six hundred ninety six dollars (\$8,696) per~~
17 ~~student.~~

18 ~~_____ (B)The local funding used solely for maintenance and~~
19 ~~operations varies from a low of seventy seven dollars (\$77.00) per student to~~
20 ~~a high of five thousand one hundred and twenty three (\$5,123) per student;~~

21 ~~_____ (4) The number of students in kindergarten through grade twelve~~
22 ~~ranges from as few as ninety-five (95) students in the smallest district to as~~
23 ~~many as twenty-four thousand one hundred sixty-six (24,166) in the largest~~
24 ~~district;~~

25 ~~_____ (5) The median number of students per district is seven hundred~~
26 ~~forty (740) and the average number of students per district is one thousand~~
27 ~~four hundred (1,400);~~

28 ~~_____ (6) The ratio among the districts of teachers to students ranges~~
29 ~~from one-to-seven (1 - 7) to one-to-eighteen (1 - 18);~~

30 ~~_____ (7) The ratio among the districts of administrators to teachers~~
31 ~~ranges from one-to-seven (1 - 7) to over one-to-twenty-nine (1 - 29);~~

32 ~~_____ (c) The General Assembly finds that:~~

33 ~~_____ (1) The state is presently paying sixty-two percent (62%) of the~~
34 ~~combined state, local and federal expenditures for public schools;~~

35 ~~_____ (2) That the state's expenditure of one billion three hundred~~
36 ~~million dollars (\$1,300,000,000) in funds during the 1994-95 fiscal year for~~

1 ~~the public schools is forty-eight percent (48%) of the total net state general~~
2 ~~revenues; and~~

3 ~~_____ (3) The percentage of state expenditures for public schools will~~
4 ~~continue to rise unless taxpayers at the local level share the burden more~~
5 ~~equally.~~

6 ~~_____ (d) The General Assembly finds that the present formula for disbursing~~
7 ~~state support to public schools punishes the students of a district or the~~
8 ~~taxpayers of the state when local voters refuse to support their local~~
9 ~~schools.~~

10 ~~_____ (e) The General Assembly finds that it has not previously provided a~~
11 ~~legislative interpretation of the constitutional mandate that the state~~
12 ~~maintain a general, suitable and efficient system of free public schools, and~~
13 ~~it is the intent of this act to provide such interpretation of the~~
14 ~~constitutional language.~~

15 ~~_____ (f)(b) The General Assembly finds that the education of the children of~~
16 ~~this state is best secured by maintaining as much local control over the~~
17 ~~day-to-day management of school operations as is consistent with state~~
18 ~~constitutional requirements, and it is the intent of this subchapter to~~
19 ~~maintain and foster such local control consistent with the state's~~
20 ~~constitutional mandate to assure suitability and efficiency in the public~~
21 ~~school system.~~

22 ~~_____ (g)(c) The General Assembly finds that a suitable and efficient system~~
23 ~~of public education should:~~

24 ~~(1) Assure the availability of substantially equal and~~
25 ~~constitutionally appropriate revenue for the education of each similarly~~
26 ~~situated child in the public schools, regardless of where that child resides~~
27 ~~within the state;~~

28 ~~(2) Assure that each school-age child resides in a school~~
29 ~~district that offers a competitive minimum salary for classroom teachers;~~

30 ~~(3) Assure that there is incentive and opportunity for patrons of~~
31 ~~each school district to provide a greater degree of financial support for~~
32 ~~students of such district than may be provided in other districts;~~

33 ~~(4) Assure that:~~

34 ~~(A) All students graduating from high school are able to~~
35 ~~demonstrate a defined minimum level of competence in:~~

36 ~~(i) English communications, oral, reading, and~~

1 writing;

2 (ii) Mathematics skills; and

3 (iii) Science and social studies disciplines; and

4 (B) Such minimum level of competence evolves over time to
5 higher levels;

6 (5) Assure that students with disabilities have the opportunity
7 to graduate from high school by demonstrating alternative competencies or
8 alternative levels of competency;

9 (6) Assure that students who are not on track for high school
10 graduation are identified at a sufficiently early date that they may be
11 provided an opportunity at reasonable cost to achieve the minimum levels of
12 competence necessary to graduate from high school;

13 (7) Recognize that graduating from high school requires that the
14 student, as well as the parent, parents, or guardian of the student, work hard
15 and assume appropriate responsibility for the student's success or failure;

16 (8) Encourage parental involvement in the public schools and
17 public school activities;

18 (9) Recognize that public schools must provide a safe,
19 disciplined, and drug-free environment for students and teachers;

20 (10) Avoid disproportionate variances among school districts in
21 the financial support burden imposed on taxpayers;

22 (11) Avoid unnecessary duplication of administrative and
23 operational expenses;

24 (12) Avoid disproportionate variances among school districts in
25 the use of classroom teachers and capital resources; and

26 (13) Recognize that early attention to and correction of student
27 deficiencies are substantially less expensive and more effective than remedial
28 efforts in the later school grades.

29 ~~_____ (h)(1) The General Assembly recognizes Arkansas Constitution, Amendment
30 40, allows local school boards to propose their own property taxes.~~

31 ~~_____ (2) Since the assessed valuation of property varies across the
32 districts, the existing school districts have access to different amounts of
33 local money to expend on public education.~~

34 ~~_____ (3) The General Assembly finds that such variations in local
35 wealth have contributed to the court's finding that the Arkansas school
36 funding is unconstitutional.~~

1 ~~_____ (i)(1)(d)(1)~~ The General Assembly acknowledges that the Arkansas
2 Constitution requires the State to provide a general, suitable, and efficient
3 system of free public schools.

4 (2) Such obligation has been held by the Arkansas courts to be a
5 paramount duty of the State ~~despite a local school board's ability to propose~~
6 ~~its own property tax rate.~~

7 ~~_____ (j)(e)~~ The General Assembly recognizes that the supervision of public
8 schools and the execution of the laws regulating the schools shall be vested
9 in such officers as the General Assembly provides.

10 ~~_____ (k)(f)~~ The State has a limited pool of resources to provide a general,
11 suitable, and efficient system of free public schools.

12 ~~_____ (l)(g)~~ The State recognizes the importance of local decision-making in
13 the education process.

14 ~~_____ (m) The State recognizes its obligation to implement a constitutional~~
15 ~~system of school finance by November 1996."~~

16

17 SECTION 2. Arkansas Code Annotated § 6-20-303 is amended to read as
18 follows:

19 "6-20-303. Definitions.

20 As used in this subchapter, unless the context otherwise requires:

21 (1) Alternative education program means an intervention program, in
22 compliance with §§ 6-18-508 and 6-18-509, that seeks to eliminate traditional
23 barriers to learning for students and includes a component for the education
24 of gifted and talented students;

25 (2) Additional base funding means the state funding to local school
26 districts to ensure that a local school district's total state and local
27 revenue per average daily membership is no less than the minimum state and
28 local revenue per average daily membership;

29 ~~_____ (2) At-risk funding means financial aid provided to local school~~
30 ~~districts based upon the number of:~~

31 ~~_____ (A) Students with low test scores;~~

32 ~~_____ (B) Children receiving free or reduced price lunches;~~

33 ~~_____ (C) Households below the poverty level; or~~

34 ~~_____ (D) Children with limited English proficiency;~~

35 (3) 'Additional mills for maintenance and operation' means millage
36 levied by the electors of a local school district for maintenance and

1 operation in excess of those allocated to the uniform rate of tax;

2 (4) Average daily membership means the total number of days attended
3 plus the total number of days absent by students in grades kindergarten
4 through twelve (K-12) during the first three (3) quarters of each school year,
5 divided by the number of school days actually taught in the district during
6 that period of time rounded up to the nearest hundredth;

7 (5) Base local revenue per student means: (A) If Category 1 is fully
8 funded, the local revenue per student in the local school district with the
9 highest amount of local revenue per student; or (B) if Category 1 is not fully
10 funded, the revenue per student to which the state equalizes, calculated by
11 taking the sum of:

12 (i) The total available state aid for state equalization funding
13 per student;

14 (ii) Ninety-eight percent (98%) of the ~~base millage~~ uniform rate
15 of tax times the total state assessed valuation; and

16 (iii) Seventy-five percent (75%) of the average miscellaneous
17 funds collected in the previous five (5) years or previous year whichever is
18 less;

19 by dividing the sum by the total state average daily membership for the
20 previous year;

21 (6) ~~Base millage~~ Uniform rate of tax means ~~Twenty-five (25) mills a~~
22 uniform rate of ad valorem property tax of twenty-five (25) mills to be levied
23 on the assessed value of all taxable real, personal, and utility property in
24 the state to be used solely for maintenance and operation of the schools. In
25 calculating the uniform rate of tax imposed by Article 14, § 3 of the Arkansas
26 Constitution, as amended by Amendment Nos. 11, 40, and 74, the following
27 categories of millage may be utilized to meet the minimum base millage
28 requirement:

29 (A) The local school district's maintenance and operation
30 millage;

31 (B) The dedicated maintenance and operation millage;

32 (C) Excess debt service millage; and

33 (D) The millage derived from the ratio of the debt service
34 funding supplements divided by the total assessment;

35 (7) Classroom teacher means: (A) An individual required to hold a
36 teaching license from the Department of Education, and who is engaged directly

1 in instruction with students in a classroom setting for more than seventy
2 percent (70%) of the individual's contracted time;

3 (B) A guidance counselor; or

4 (C) A librarian;

5 (8) Debt service funding supplement means the state financial aid
6 provided to qualifying local school districts for the purpose of reducing
7 existing debt service burdens and increasing the amount of local revenue
8 available for maintenance and operations expenditures, and calculated as
9 follows: for each mill of eligible debt service millage required, ~~to meet the~~
10 ~~annual debt service expenditure obligation~~, the local school ~~may~~ shall be
11 provided ~~up to~~ fifteen dollars (\$15.00) per average daily membership times ~~the~~
12 ~~difference of one (1) minus the ratio of the district's local revenue per~~
13 ~~student and state equalization funding per student.~~ the state wealth index;
14 ~~Beginning with the 1997-98 school year, the funding per average daily~~
15 ~~membership may be increased by one dollar (\$1.00) each year;~~

16 (9) Debt service millage means the total number of mills voted by the
17 electors of a school district to be pledged as security for the retirement of
18 bonded indebtedness;

19 (10) Debt service millage required means the calculated millage rate
20 equal to the amount of millage pledged to mandatory callable bonds plus the
21 result of the scheduled calendar year bonded debt payment divided by the total
22 assessed value of real, personal, and utility property in the local school
23 district;

24 (11) Eligible debt service millage required means, in the computation
25 of the debt service funding supplement, the debt service millage required for
26 bonds issued on or before May 30, 1997, or bonds issued to refund bonds issued
27 on or before May 30, 1997, provided that such millage was approved in a school
28 election held on or before February 22, 1995;

29 ~~(8)~~(12) Excess debt service millage means the difference between the
30 debt service millage levied and the debt service millage required. This
31 amount shall be presumed to be available for maintenance and operation, but
32 may be used for other school purposes, provided that the district is in
33 compliance with the uniform rate of tax; ~~Equalized local revenue per student~~
34 ~~means in each local school district, the amount equal to the sum of local~~
35 ~~revenue per student and state equalization funding per student;~~

36 ~~(9)~~(13) General facility funding means the state financial aid

1 provided to each local school district, ~~voting the base millage~~, from funds
2 made available for that purpose based on a facilities needs assessment
3 justification approved by the Department of Education, and calculated as
4 follows: ~~The local school district may be provided up to thirty-five dollars~~
5 ~~(\$35.00), multiplied by~~ Multiply the local school district's average daily
6 membership for the previous year, ~~multiplied by~~ times the ~~difference between~~
7 ~~one (1) minus the ratio of the local revenue per student and state~~
8 ~~equalization funding per student~~ state wealth index, times a rate established
9 by the State Board of Education;

10 ~~———— (10)(14)~~ Growth facility funding means the state financial aid
11 provided to each local school district from funds made available for that
12 purpose, based upon a facilities needs assessment justification approved by
13 the Department of Education, and calculated as follows: Each local school
14 district whose student growth from the previous year to the first quarter of
15 the current year exceeds the state average average daily membership growth may
16 receive an amount up to such average daily membership growth in the local
17 school district times the ratio of the total funds available for allocation,
18 divided by the ~~state's gross increase in average daily membership~~ total
19 increase in students in those local school districts eligible for growth
20 facility funding;

21 ~~———— (11)(15)~~ ~~Incentive millage means the millage rate which may be levied~~
22 ~~by a local school district to obtain incentive revenue~~ Incentive funding I
23 means the state financial aid provided to local school districts below the
24 ninety-fifth percentile for the purpose of eliminating the incentive a local
25 school district may have to reduce its additional mills available for
26 maintenance and operations and calculated by taking one-half of the difference
27 between the amount of additional base funding a local school district would
28 receive if it only levied the uniform rate of tax and the additional base
29 funding the district receives in the current school year. For purposes of the
30 calculation of the amount of additional base funding a district would receive
31 if it only levied the uniform rate of tax, twenty-five percent (25%) of the
32 miscellaneous funds received by any local school district shall be excluded
33 from the calculation;

34 ~~———— (12)(16)~~ ~~Incentive revenue means the amount of revenue, not to exceed~~
35 ~~one hundred twenty-five percent (125%) multiplied times the base local revenue~~
36 ~~per student~~ Incentive funding II means the state financial aid provided to

1 local school districts below the ninety-fifth percentile voting additional
2 mills available for maintenance and operations, not previously authorized,
3 after the effective date of this act for the purpose of encouraging a local
4 school district to levy such mills and calculated by allowing a local school
5 district to retain fifty percent (50%) of the additional base funding it would
6 otherwise lose as a result of voting additional mills available for
7 maintenance and operations;

8 (17) Isolated funding means the state financial aid provided to
9 qualifying local school districts with an average daily membership of less
10 than three hundred fifty (350) from funds made available for that purpose, and
11 calculated as follows:

12 (A) (350-Previous years ADM) Previous years ADM times
13 850

14 the Base Local Revenue Per Student;

15 (B) Local school districts with an ADM density of less than 1.2 shall
16 receive additional funds equal to fifty percent (50%) of aid received under
17 subdivision (A);

18 (C) For the purpose of calculating isolated funding, any local school
19 district that has a local revenue per student greater than one hundred forty
20 percent (140%) of the effective average local revenue per student or that has
21 an ADM density greater than 5.0 shall be excluded; provided, however, that if
22 a local school district has a local revenue per student less than sixty
23 percent (60%) of the effective average it shall receive isolated funding;

24 (D) No school district shall receive less isolated funding in future
25 years than the district received during the 1996-1997 school year because of
26 subdivision (C) of this subsection;

27 ~~——(14)(18)~~ Local revenue per student means in each year, ninety-eight
28 percent (98%) of the amount of revenue available, whether or not collected, in
29 a local school district, solely from the levy of the ~~base millage~~ uniform rate
30 of tax, plus seventy-five percent (75%) of the average miscellaneous funds
31 collected in the previous five (5) years or previous year whichever is less
32 divided by the average daily membership of such local school district for the
33 previous year;

34 ~~——(15)(19)~~ Local school district means a ~~class of school districts~~
35 geographic area with an elected board of directors which qualifies as a taxing
36 unit for purposes of ad valorem property taxes under Title 26 of the Arkansas

1 Code Annotated and which ~~conduct~~ conducts the daily affairs of public schools
 2 pursuant to the supervisory authority vested in them by the General Assembly;
 3 ~~(16)~~(20) Local school district at the ninety-fifth percentile means
 4 when ranking districts in descending order by the total state and local
 5 revenue per average daily membership, the district which falls at the ninety-
 6 fifth percentile of the total number of pupils in attendance in the schools of
 7 this state, as described by 34 C.F.R. § 222.63 (1994);

8 (21) Mandatory callable bonds means a bond issue in which all net
 9 proceeds from debt service millage used to secure the issuance of that bond
 10 must be applied to payment of the issue and cannot be used for any other
 11 purpose;

12 ~~——(17)~~(22) Minimum state and local revenue per average daily membership
 13 means an amount no less than eighty percent (80%) of the total state and local
 14 revenue per average daily membership of the local school district at the
 15 ninety-fifth (95th) percentile;

16 ~~——(18)~~(23) Miscellaneous funds means those funds received by a local
 17 school district from federal forest reserves, federal grazing rights, federal
 18 mineral rights, federal impact aid, federal flood control, wildlife refuge
 19 funds, severance taxes, ~~and~~ funds received by the district in lieu of taxes,
 20 and local sales and use tax dedicated to education pursuant to § 26-74-201 et
 21 seq., § 26-74-301 et seq., § 26-75-301 et seq., and § 14-164-301 et seq.;

22 (24) Previous year means the school year immediately preceding the
 23 school year in which funds are allocated;

24 ~~——(19)~~(25) State equalization funding per student means the amount of
 25 state financial aid per average daily membership for the previous year
 26 provided to each local school district, calculated by subtracting the local
 27 revenue per student from the base local revenue per student;

28 (26) State wealth index means the result of one (1) minus the ratio of
 29 local revenue per student divided by state equalization funding per student;

30 ~~——(20)~~(27) Student Classroom teacher funding means the state financial
 31 aid provided to each local school district, calculated as an amount equal to
 32 one hundred twelve percent (112%), times one thousand six hundred and thirty-
 33 three dollars (\$1,633) per average daily membership;

34 ~~——(21)~~(28) Student growth funding means the amount of state financial
 35 aid provided to each local school district not later than December 30th of
 36 each year from the funds made available for that purpose, calculated as ~~the~~

1 ~~sum of:~~

2 ~~_____ (A) The the base local revenue per student multiplied by ~~forty~~~~
3 ~~eighty hundredths (.40) (.80) times the increase, if any, in such local school~~
4 ~~district's average daily membership for the first two quarters ~~quarter~~ of the~~
5 ~~current year over the local school district's average daily membership for the~~
6 ~~previous year; ~~and~~~~

7 ~~_____ (B) The increase, if any, in such local school district's average~~
8 ~~daily membership for the first quarter of the current year over the local~~
9 ~~school district's average daily membership for the previous year multiplied by~~
10 ~~one thousand five hundred dollars (\$1,500) per average daily membership;~~

11 ~~_____ (22)(29) Student needs funding means the amount of state financial aid~~
12 ~~provided to each local school district from available special education~~
13 ~~funding, vocational education funding, at-risk funding, *isolated* funding, and~~
14 ~~transportation aid and any other categories of student needs funding which may~~
15 ~~be subsequently identified pursuant to rules and regulations promulgated by~~
16 ~~the State Board of Education;~~

17 ~~_____ (23)(30) Student unit funding means the state financial aid provided to~~
18 ~~each local school district calculated as follows: by dividing the total funds~~
19 ~~available for textbook aid, alternative education, including gifted and~~
20 ~~talented education programs, restructuring, and staff development by the total~~
21 ~~state average daily membership for the previous year and multiplying by such~~
22 ~~local school district's average daily membership for the previous year; ~~and~~~~

23 ~~(24)(31) Total state and local revenue per average daily membership~~
24 ~~means in each local school district, the amount calculated by taking the sum~~
25 ~~of:~~

26 (A) The local school district's ~~maintenance and operations~~
27 ~~millage uniform rate of tax times ninety-eight percent (98%) of the~~
28 ~~district's assessed valuation; and~~

29 (B) The local school district's ~~debt service mills not required~~
30 ~~to pay off debt additional mills for maintenance and operation times ninety-~~
31 ~~eight percent (98%) of the district's assessed valuation; and~~

32 (C) The local school district's ~~current expenditure mills times~~
33 ~~ninety-eight percent (98%) of the district's assessed valuation miscellaneous~~
34 ~~funds; and~~

35 (D) State equalization funding, student classroom teacher
36 funding, student unit funding, vocational funding, general facilities funding,

1 and student growth funding available to such local school district; and
2 by dividing by the average daily membership of the local school district.

3 (32) Weighted average millage rate means a millage rate calculated by
4 taking the sum of:

5 (A) The millage levied on real property times the real property
6 assessment base; plus

7 (B) The millage levied on personal property times the personal
8 property assessment base; plus

9 (C) The millage levied on utility property times the utility
10 property assessment base; and

11 by dividing by the total assessed value on taxable real, personal, and utility
12 property."

13

14 SECTION 3. Arkansas Code Annotated § 6-20-306 is amended to read as
15 follows:

16 "6-20-306. School Funding.

17 (a)(1) Beginning with the 1996-97 school year, the Department of
18 Education shall provide from available funds, the following school funding
19 categories, in the priority listed, to local school districts:

20 (A) Category 1. State equalization funding per student;

21 (B) Category 2. Student classroom teacher funding;

22 (C) Category 3. Student unit funding; and

23 (D) Category 4. Student needs funding.

24 (2) ~~However, no~~ No subsequent category of funding shall receive
25 any funding until each prior category is fully funded.

26 (b) If any category of funding, excluding category 1, is only partially
27 funded, each local school district shall receive a pro rata share. However, if
28 the General Assembly determines that any element of categories 3 or 4 needs to
29 be funded before full funding of any preceding category is achieved, then that
30 subset of either category 3 or category 4 shall be funded exclusive of the
31 previously-listed categories."

32

33 SECTION 4. Arkansas Code Annotated § 6-20-307 is amended to read as
34 follows:

35 "6-20-307. Facilities.

36 (a) Beginning with the 1996-97 school year, general facilities funding,

1 growth facilities funding, *isolated* funding, and student growth shall be
2 provided to local school districts from available funds in a line item
3 appropriation within the Public School Fund.

4 (b)(1)(A) Beginning with the 1996-97 school year, the state shall
5 provide from available funds a debt service funding supplement to qualifying
6 local school districts for the purpose of reducing debt service burdens voted
7 by the September 1994 school election, or a special school election ordered by
8 a federal court and held before February 22, 1995, and issued before May 30,
9 1997, and increasing the amount of local revenue available for maintenance and
10 operations expenditures.

11 (B) As future money is made available for debt service
12 funding, either through increases in state funding or as existing debt
13 obligations decrease, priority will be given to local school districts which
14 meet need assessment guidelines of the Department of Education and which did
15 not receive the debt service funding supplement during the 1996-97 school
16 year.

17 (2) The legislative intent is to continue providing a debt
18 service funding supplement to qualifying local school districts through
19 available funds in a line item appropriation within the Public School Fund ~~and~~
20 ~~as existing debt obligations decrease to transfer at least the amount of~~
21 ~~funding provided during the 1996-97 school year to line item appropriations~~
22 ~~for general facilities funding and growth facilities funding."~~

23

24 SECTION 5. Arkansas Code Annotated § 6-20-308 is amended to read as
25 follows:

26 "6-20-308. Department of Education to provide funding --Adjustments for
27 overpayments.

28 (a) After determining the amount of state equalization funding, student
29 classroom teaching funding, student unit funding, vocational funding, general
30 facilities funding, and student growth funding available to each local school
31 district, the Department of Education shall provide any additional state base
32 funding necessary to ensure that the total state and local revenue per average
33 daily membership of each local school district is no less than the minimum
34 state and local revenue per average daily membership. For the purposes of
35 additional base funding, any questions as to what revenue shall be included
36 will be determined by reference to 34 C.F.R. § 222.63 (1994).

1 (b) If the Department of Education shall determine that an overpayment
2 has been made to a local school district in any appropriation authorized by
3 this chapter, the Department of Education is authorized to withhold the
4 overpayment from state equalization funding and is authorized to transfer the
5 amount withheld for the overpayment to the line item appropriation from which
6 the overpayment was initially made."

7

8 SECTION 6. Incentive revenues to encourage local millages.

9 (a) The General Assembly has determined that the provision of
10 additional base funding enacted in Act 917 of 1995 to meet the chancery court
11 test for school finance equity may encourage a local school district to
12 refrain from levying additional mills available for maintenance and operations
13 because of the loss of additional base funding.

14 (b) The General Assembly has also determined that the provision of
15 additional base funding may encourage a local school district to reduce
16 additional mills available for maintenance and operations to receive
17 additional base funding or to receive more additional base funding than the
18 district currently receives.

19 (c) Therefore, it is the intent of the General Assembly to address
20 these two (2) potential disincentives for raising or maintaining additional
21 mills available for maintenance and operations.

22 (d) In order to address these potential disincentives, the General
23 Assembly shall provide two (2) types of incentive funding, incentive funding I
24 and incentive funding II, to local districts from available funds.

25 (e) After the calculation and provision of additional base funding, the
26 Department of Education shall provide incentive funding I to local school
27 districts below the district at the ninety-fifth percentile to reward local
28 school districts for levying additional mills available for maintenance and
29 operations and to remove the potential disincentive for a local school
30 district to reduce its additional mills available for maintenance and
31 operations to receive additional base funding or to receive an increase in
32 additional base funding.

33 (f) After the provision of incentive funding I, the Department of
34 Education shall provide incentive funding II to local school districts to
35 encourage districts to levy additional mills available for maintenance and
36 operations without losing a proportionate amount of additional base funding

1 and to remove potential local disincentives created by the provision of
2 additional base funding.

3

4 SECTION 7. Arkansas Code Annotated § 6-20-309 is amended to read as
5 follows:

6 "6-20-309. Local school districts -- Restrictions on use of specific
7 funding.

8 (a) Local school districts may expend category 1 funds for student
9 classroom teacher funding, student unit funding, and student needs funding.

10 (b) A local school district may only use general facilities funding for
11 purchase of school buses, furniture, equipment, computer software, or
12 renovation or repairs of existing facilities.

13 (c) A local school district may only use growth facilities funding for
14 capital outlay, which means for the acquisition of land or a school site and
15 construction of new school facilities, or the costs associated with major
16 adaptations to a facility due to growth.

17 (d) Local school districts may not use student classroom teacher
18 funding to compensate anyone other than classroom teachers."

19

20 SECTION 8. Arkansas Code Annotated 6-20-310 is amended to read as
21 follows:

22 "6-20-310. Local school districts -- Required expenditures.

23 Local school districts must expend the following amounts of money from
24 funds distributed in § 6-20-306 and from local revenues:

25 (1) Local school districts shall expend at least one thousand five
26 hundred forty-eight dollars and fifty-nine cents (\$1,548.59) per average daily
27 membership for classroom teacher salaries;

28 (2) Local school districts shall expend state and local revenues on
29 students evaluated as special education students in accordance with existing
30 federal and state laws and department regulations, ~~as such laws and~~
31 ~~regulations shall be amended from time to time and based on the following~~
32 ~~criteria:~~

33 ~~_____ (A) Calculate a three-year average percentage not to exceed~~
34 ~~twelve and one-half percent (12.5%), based on the three (3) immediately~~
35 ~~preceding December 1 counts of students in special education; and~~

36 ~~_____ (B) Multiply the three-year average percentage not to exceed~~

1 ~~twelve and one-half percent (12.5%) times the average daily membership and~~
2 ~~multiply the result times sixty-four hundredths (.64) times the base local~~
3 ~~revenue per student;~~

4 ~~—— (3)(A) Local school districts shall expend from state and local~~
5 ~~revenues not less than the following amounts on vocational education students~~
6 ~~in accordance with rules and regulations promulgated by the State Board of~~
7 ~~Education: the previous year's average daily membership participating in~~
8 ~~vocational education programs multiplied by thirty-four hundredths (.34) times~~
9 ~~the base local revenue per student.—~~

10 ~~—— (B) Participating local school districts shall transfer to~~
11 ~~approved vocational centers all funds that districts have previously~~
12 ~~transferred to such centers on an average daily membership basis;~~

13 ~~—— (4)(3) Local school districts shall expend from state and local~~
14 ~~revenues not less than the following amounts on alternative education programs~~
15 ~~in accordance with rules and regulations promulgated by the State Board of~~
16 ~~Education: The previous year's average daily membership participating in~~
17 ~~alternative education, up to two percent (2%) of the previous year's average~~
18 ~~daily membership, multiplied by fifteen hundredths (.15) times the base local~~
19 ~~revenue per student; and~~

20 ~~—— (5)(4) Local school districts shall expend from state and local~~
21 ~~revenues not less than the following amounts on gifted and talented programs,~~
22 ~~in accordance with rules and regulations promulgated by the State Board of~~
23 ~~Education: the previous year's average daily membership participating in~~
24 ~~gifted and talented programs, up to five percent (5%) of the previous year's~~
25 ~~average daily membership, multiplied by fifteen hundredths (.15) times the~~
26 ~~base local revenue per student."~~

27

28 SECTION 9. Arkansas Code Annotated § 6-20-311 is amended to read as
29 follows:

30 "6-20-311. Local school districts.

31 (a) Beginning with the 1995-96 school year, each local school district
32 shall prepare an annual certified audit of the financial condition and
33 transactions of the local school district as of June 30 of each year in
34 accordance with generally accepted accounting practices and containing any
35 other data as determined by the State Board of Education.

36 (b) Nothing in this legislation shall be construed to authorize,

1 permit, or require consolidation of any school district.

2 (c) If the enactment of this subchapter creates an unanticipated
3 adverse impact or an unexpected fiscal crisis for any local school district,
4 the local school district may appeal to the State Board of Education and the
5 State Board of Education may award the Local School district financial relief
6 from available funds provided for this purpose."

7

8 SECTION 10. Arkansas Code Annotated § 6-20-401 is amended to read as
9 follows:

10 "6-20-401. Definitions.

11 As used in this subchapter, unless the context otherwise requires:

12 (1) Current indebtedness means a debt obligation incurred by a school
13 district for the purpose of paying maintenance or general operation expenses
14 for the fiscal year in which the debt is incurred or for a purpose for which a
15 postdated warrant, installment contract, or lease purchase agreement *may* be
16 issued;

17 (2) Nonrevenue receipts of a school district means those receipts which
18 either incur an obligation which must be met at some future date or which
19 change the form of an asset from property to cash. Specifically, they consist
20 of the proceeds of a bond sale, payment of losses on an insurance policy, the
21 receipts from the sale of property, etc.;

22 (3) Revenue receipts of a school district means those receipts that do
23 not result in increasing school indebtedness or in depleting school property.
24 Specifically, revenue receipts of a school district for any fiscal year shall
25 consist of the following funds:

26 (A) Net cash balance on hand at the beginning of the school fiscal
27 year, July 1;

28 (B) The remaining net proceeds of local taxes collected in the
29 calendar year in which the school fiscal year started plus forty percent (40%)
30 of the proceeds of the local taxes which are not pledged to secure bonded
31 indebtedness or forty percent (40%) of the revenue from the uniform rate of
32 tax, whichever is greater, collected in the succeeding calendar year. This
33 forty percent (40%) shall be determined by applying the following formula: The
34 greater of ~~Assessed~~ assessed valuation multiplied by the tax rate which is
35 not pledged to secure bonded indebtedness multiplied by forty percent (40%) or
36 the assessed valuation multiplied by the uniform rate of tax multiplied by

1 forty percent (40%); and

2 (C) The net proceeds of all other funds accrued or placed to the
3 credit of the district during the fiscal year from regular revenue sources,
4 including, but not limited to, state and federal funding."

5

6 SECTION 11. Title 6, Chapter 20, Subchapter 3 of the Arkansas Code
7 Annotated is amended by adding two new sections to read as follows:

8 "6-20-323. Targeted Categories.

9 (a) Beginning with the 1997-98 school year, the Department of Education
10 shall provide special assistance for targeted categories to local school
11 districts from available revenues within a line item appropriation in the
12 Public school fund.

13 (b) The State Board of Education shall promulgate rules and regulations
14 for the disbursement of available funds for special assistance for the
15 following targeted categories:

- 16 (1) Students with Limited English Proficiency;
- 17 (2) Catastrophic loss funding;
- 18 (3) Catastrophic special education students; and
- 19 (4) At-risk students."

20

21 SECTION 12. Uncodified subsection (k) of Section 3 of Act 917 of 1995
22 is repealed:

23 ~~_____ (k) For the 1995-96 school year, if a Local School District fails to~~
24 ~~levy at the September 1995 annual school election a Base Millage, exclusive of~~
25 ~~millage used to service debt, the Local School District shall not expend funds~~
26 ~~for school construction not under contract as of February 22, 1995.~~

27

28 SECTION 13. Uncodified Section 10 of Act 917 of 1995 is repealed.

29 ~~_____ SECTION 10. Facilities funding for the 1995-96 school year.~~

30 ~~_____ (a) For the 1995-96 school year, the Department of Education shall~~
31 ~~provide General Facilities Funding to Local School Districts from available~~
32 ~~revenues within a line item appropriation in the Public School Fund based upon~~
33 ~~the following formula:~~

34 ~~_____ An amount up to thirty-five dollars (\$35.00) per ADM times the~~
35 ~~difference between one (1) minus the ratio of the local resource rate and the~~
36 ~~table rate.~~

1 ~~_____ (b) For purposes of subsection (a), the local resource rate, the state~~
2 ~~base equalization rate, and the table rate shall be determined using a charge~~
3 ~~of eighteen (18) mills.~~

4 ~~_____ (c) A Local School District may only use General Facilities Funding for~~
5 ~~the purchase of school buses, furniture, equipment, computer software, or~~
6 ~~renovation or repairs of existing facilities.~~

7 ~~_____ (d) For the 1995-96 school year, the Department of Education shall~~
8 ~~provide Growth Facilities Funding to Local School Districts from available~~
9 ~~revenues within a line item appropriation in the Public School Fund.~~

10 ~~_____ (e) A Local School District may only use Growth Facilities funding for~~
11 ~~capital outlay which means for the acquisition of land or a school site and~~
12 ~~construction of new school facilities.~~

13

14 SECTION 14. Uncodified Section 11 of Act 917 of 1995 is repealed.

15 ~~_____ SECTION 11. At-Risk Funding for the 1995-96 school year.~~

16 ~~_____ (a) For the 1995-96 school year, the Department of Education shall~~
17 ~~provide At-Risk Funding to Local School Districts from available revenues~~
18 ~~within a line item appropriation in the Public School fund.~~

19 ~~_____ (b) The State Board of Education shall promulgate rules and regulations~~
20 ~~for the disbursement of available funds and shall take into account the~~
21 ~~following types of At-Risk programs:~~

22 ~~_____ (1) Compensatory education;~~

23 ~~_____ (2) Alternative learning programs;~~

24 ~~_____ (3) ACT and summer school remediation;~~

25 ~~_____ (4) Programs for students with limited English proficiency; and~~

26 ~~_____ (5) Classroom management training for faculty.~~

27

28 SECTION 15. Uncodified Section 12 of Act 917 of 1995 is repealed.

29 ~~_____ SECTION 12. 1995-96 Growth Funding.~~

30 ~~_____ For the 1995-96 school year, the distribution of growth funding shall~~
31 ~~not raise the charge specified in Ark. Code Ann. § 6-20-306.~~

32

33 SECTION 16. All provisions of this act of a general and permanent
34 nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas
35 Code Revision Commission shall incorporate the same in the Code.

36

1 SECTION 17. If any provision of this act or the application thereof to
2 any person or circumstance is held invalid, such invalidity shall not affect
3 other provisions or applications of the act which can be given effect without
4 the invalid provision or application, and to this end the provisions of this
5 act are declared to be severable.

6

7 SECTION 18. All laws and parts of laws in conflict with this act are
8 hereby repealed.

9

10 SECTION 19. EMERGENCY. It is found and determined by the General
11 Assembly of the State of Arkansas that the immediate effectiveness of this act
12 is essential to the operation of the Department of Education and local school
13 districts in the calculation of funding for public education and that any
14 delay could work irreparable harm to the Department and the local districts.
15 Therefore an emergency is declared to exist and this act being immediately
16 necessary for the preservation of the public peace, health and safety shall
17 become effective on the date of its approval by the Governor. If the bill is
18 neither approved nor vetoed by the Governor, it shall become effective on the
19 expiration of the period of time during which the Governor may veto the bill.
20 If the bill is vetoed by the governor and the veto is overridden, it shall
21 become effective on the date the last house overrides the veto.

22

/s/Mahony et al

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